



Payments for Environmental Services: Evidence on effectiveness and equity

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- **‘Adverse self-selection’ and ineffective (regional) targeting**
 - Paying people that would not have deforested anyway (counterfactual = what would have happened otherwise?)
- **Little conditionality**
 - Few PES schemes effectively monitor and withdraw payments if non-compliant
- **Longevity**
 - When paying people for avoided behaviour (e.g. not deforesting), likely just postponement of action. What happens when scheme ends? Financial sustainability of long-term schemes?
- **Motivational crowding out**
 - May turn positive conservation values into market cost/benefit calculations
- **Magnet effect and ‘green grabbing’**
 - May attract land speculators and increased investment in areas due to higher (short-term) land value
- Basis in **‘provider-gets’ principle** (provision of avoided deforestation) rather than **‘polluter-pays’ principle** (pricing in environmental destruction; e.g. lower value of crops with embedded deforestation/GHG emissions)
 - Locks in and reinforces unequal (and often recent) land and capital distribution, as well as extractive economic system
 - Inclusion of communities that preserve land outside of commodity system (e.g. indigenous and traditional communities)?

Payments for Environmental Services tend to have very small effects and may be inequitable. Why?

Refs: Fairhead et al. 2012; Ferraro 2018; James & Sill 2019; Wunder et al. 2020

- In combination with (and conditional on compliance with) strict prohibition of any deforestation:
- Subsidize/support **alternative development paths** (subsidized credit, free extension services, monetary incentives) *for producers AND other land stewards* (e.g. Mato Grosso PCI Pitch Book):
 - Expansion of (higher productivity) soy on already cleared areas
 - Integrated crop-livestock systems
 - Agroforestry systems
 - Switching to higher value crops (e.g. fruit, vegetables) and crop diversification
 - Forest landscape restoration (including sustainable timber, agroforestry, and integrated crop-livestock-forestry)
- Subsidize/support **alternative development paths for region** (manufacturing, services, (eco-)tourism):
 - May include soy-linked value-added activities: processing; soya ingredients; chicken and pork production
- **Alignment with public policy** efforts in Brazil and consuming countries
 - Ecological Value added tax
 - EU due diligence and Partnerships for Development

Alternatives for compensating (regional) opportunity cost of forest conservation while locking in new development path

Refs: Bager et al. 2020, Gil et al. 2018, dos Reis et al. 2019, Mier y Terán Giménez Cacho, 2016

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